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MANGEL

MANGEL STORES CORPORATION

Annual Report (Fiscal Year Ended January 29, 1972)

Sol Mangel Began as $3-a-Week Clerk on Lower East Side

CORPORATION FILE

C NYT 7/11/56

By CARL SPIELVOGEL

The $30,000,000 Mangel Stores Corporation is a nation-wide apparel chain with 120 outlets, but its roots are firmly embedded in New York.

Sol Mangel, the founder of the company, is a product of the lower East Side, where he once worked as a $3-a-week errand boy. Now 75 years old, he is at his desk every working day and retirement is the farthest thing from his mind.

Despite the lack of any formal education, the executive actively pursues his hobby—the study of higher mathematics. He already has breezed through courses in trigonometry and analytical geometry by attending night classes at Columbia and New York University. In September he will return to school to wrestle with calculus.

His Hobby Explained

Mr. Mangel explains this time-consuming undertaking by saying:

"Unless you have all the facts, you cannot draw a correct conclusion."

And Mr. Mangel contends he has a lot to learn.

The Mangel concern is growing. Before the end of the year it will have opened twelve new stores. Sales for the first five months were $12,622,976, against $11,332,598 in the same period a year ago, an increase of 11.4 per cent.

Mr. Mangel started the New York Waist House in 1905 in Jersey City, when the reatiling of women's apparel was known as the "blouse business." Three years later he had thirteen stores in the New York area, with several along Grand Stree in lower Manhattan.

The change from blouses t dresses and ready-to-wear cam in the early 1920's and the corporate name was changed to Mangel's. In those days Mr. Mangel pioneered in granting credit to the working girl.

"We were looking for a customer in the working girl who was able to spend $5 and then pay us back at the rate of $1 a week," the head of the company remembers. "We gave them credit up to $10 and no higher. Our loss ratio then was lower than it is now."

The company was hard hit during the depression. Mr. Mangel, however, points with pride to the fact that he went through receivership without loss to a single creditor.

The reorganized concern acquired its present name in 1932 and Mr. Mangel started to rebuild from the bottom. By the second half of that year the company was back in the black.

"In 1933 our chain of about 100 stores had $6,500,000 in sales," says Mr. Mangel. "And by 1936 we were back on Easy Street. Although we operated more stores in the boom of the late 1920's than we do now, the Mangel chain today does three times the volume of business. And we extend credit in the modern pattern."

Mr. Mangel still is experimenting with new retailing ideas. Two of his latest projects call for a self-sevice store and the entry of the concern into the sale of men's furnishings. If these succeed they will be adopted throughout the chain.

Moving to New Center

To allow for its continuing growth, the Mangel organization will move into larger office and warehouse headquarters in the fall. The company has acquired 250,000 square feet of space in buildings running from Eighteenth to Nineteenth Steet, just west of the Avenue of the Americas.

Mr. Mangel is optimistic about continued good business.

"No one can foretell when a let-down may come," he says, "but I think that a general period of good business and high employment will prevail for quite a few years."

When Mr. Mangel is not busy pouring over auditor's charts and inspecting merchandising lines, he relaxes by reading literary classics, with Shakespeare and Dickens his favorite authors. He is allergic, however, to any and all Horatio Alger-type epics.

Continued on Page 22, Column 2

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98½ 98½

51¾ 52

46 46½

71⅝ 71⅝

15⅛ 15⅛

41½ 41½ 41¼

40

109½

2nd QUARTER REPORT

(26 weeks ended August 4, 1973)

Mangel Stores Corporation

MANGEL

MANGEL

MANGEL

MANGEL

MANGEL STORES CORPORATION

Mangels Specialty Stores

Alabama (11)
Arkansas (8)
Florida (10)
Georgia (8)
Illinois (3)
Indiana
Louisiana (7)
Maryland (2)
Michigan
Minnesota
Mississippi (7)
Missouri (2)
New Mexico
New York (2)
North Carolina (4)
Ohio (3)
South Carolina (5)
Tennessee (4)
Texas (11)
West Virginia (2)

Shoppers Fair Discount Department Stores
(and Licensed Department Locations)

Alabama
Connecticut (2)
Delaware
Florida
Illinois
Indiana (9)
Kentucky
Louisiana
Maryland (2)
Michigan (16)
Missouri (5)
New Jersey (2)
New York (4)
Ohio (3)
Oklahoma
Pennsylvania (2)
Texas (2)
Virginia

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Mangels

SHOPPERS fair

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TO OUR SHAREHOLDERS:

We hereby report to you on the operations for the second quarter of our fiscal year, which continued to reflect some of the factors discussed in our first quarter message to shareholders.

During the 13 weeks ended August 4, 1973, we experienced a net loss of $339,166, or 25¢ per share, on net sales and rental income from licensed departments of $33,866,614. In the comparable period a year ago, net sales and rental income from licensed departments amounted to $38,824,758 and earnings were $136,090, or 10¢ per share.

These results brought the loss for the 26 weeks ended August 4, 1973 to $532,126, or 39¢ per share, against net income of $64,942, or 5¢ per share, in the first half of 1972. Net sales and rental income from licensed departments for the six month period declined to $64,001,969 from $66,232,934.

The decline in net sales is partially accounted for by our operation of seven fewer stores this year than in the comparable period a year ago. In addition, sales in the second quarter of 1972 benefited substantially from the grand opening of eight Shoppers Fair stores. This contrasts with no discount store openings this year.

In addition to the factors commented upon in our last quarterly report, profit margins were under pressure during the first half due to heavy promotional markdowns to encourage increased sales, and markdowns taken to liquidate the inventories of four stores closed at the end of 1972, which inventories had been transferred to other stores. The total markdowns involved were considerably higher than those of the preceding year.

During the second quarter, we took several positive steps to strengthen our merchandising organization, largely through promotions from within, and it is expected that these actions will improve future results.

Cost and expense control programs are being stressed, as is the necessity of a sound financial condition.

Second half operations of our Company usually produce the major portion of the year's earnings, and we are expecting during the next six months to not only offset the first half loss but to realize a profit for the full fiscal year.

Cordially,

Jared L. Rosenthal

JARED L. ROSENTHAL
President

September 14, 1973

Condensed Consolidated Statement of Income
(UNAUDITED)

Mangel Stores Corporation and Subsidiaries

	13 Weeks Ended		26 Weeks Ended	
	August 4, 1973	July 29, 1972	August 4, 1973	July 29, 1972
Net sales and rental income from licensed departments	$33,866,614	$38,824,758	$64,001,969	$66,232,934
(Loss)/income before Federal income taxes	$(565,166)	$236,690	$(886,826)	$112,442
(Credit)/provision for Federal income taxes	(226,000)	100,600	(354,700)	47,500
Net (loss)/income	$(339,166)	$136,090	$(532,126)	$64,942
Per share	$(.25)	$.10	$(.39)	$.05

1st QUARTER REPORT

(13 weeks ended May 5, 1973)

Mangel Stores Corporation

MANGEL STORES CORPORATION

Mangels Specialty Stores

Alabama (11)
Arkansas (8)
Florida (10)
Georgia (8)
Illinois (3)
Indiana
Louisiana (7)
Maryland (2)
Michigan
Minnesota
Mississippi (7)
Missouri (2)
New Mexico
New York (2)
North Carolina (4)
Ohio (3)
South Carolina (5)
Tennessee (4)
Texas (11)
West Virginia (2)

Shoppers Fair Discount Department Stores
(and Licensed Department Locations)

Alabama
Connecticut (2)
Delaware
Florida
Illinois
Indiana (9)
Kentucky
Louisiana
Maryland (2)
Michigan (16)
Missouri (5)
New Jersey (2)
New York (4)
Ohio (3)
Oklahoma
Pennsylvania (2)
Texas (2)
Virginia

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TO OUR SHAREHOLDERS:

Operations for the thirteen weeks ended May 5, 1973, resulted in a net loss of $192,960 or 14¢ per share, on net sales and rental income from licensed departments of $30,135,355. This result compares with a net loss of $71,148, or 5¢ per share, on net sales and rental income from licensed departments of $27,408,176 in the first quarter last year.

Although sales for the period were a record, they were less than had been anticipated due to extremely adverse weather conditions, including floods and tornadoes, where many of the Company's stores are located. The late Easter was a constructive factor.

New Mangel ladies apparel stores have been opened in Columbus, Mississippi and North Little Rock, Arkansas, and several other new Mangel stores are due to be opened later this year. Although we have no new Shoppers Fair discount stores under lease at this time, many existing locations have been offered to us for our review and consideration.

At the Annual Meeting of Shareholders, which was held on June 6, 1973, Maurice N. Jaffe, Sidney Mishkin and Chester M. Ross were re-elected for terms of three years each.

First quarter operations of the Company have historically resulted in a net loss, and are not necessarily indicative of the results which may be anticipated for the year.

Cordially,

Jared L. Rosenthal

JARED L. ROSENTHAL
President

June 22, 1973

Condensed Consolidated Statement of Income
(UNAUDITED)

Mangel Stores Corporation and Subsidiaries

	13 weeks ended	
	May 5, 1973	April 29, 1972
Net Sales and rental income from licensed departments	$30,135,355	$27,408,176
Net loss before Federal income taxes	$ 321,660	$ 124,248
Credit for Federal income taxes	128,700	53,100
Net loss	$ 192,960	$ 71,148
Loss per share	$.14	$.05

Financial Highlights

For the Year:	**1971***	1970**
Net Sales and Rental Income from Licensed Departments	**$123,019,149**	$124,972,822
Net Income	**813,367**	113,697
At the End of the Year:		
Current Assets	**$ 37,533,901**	$ 32,575,346
Current Liabilities	**16,529,947**	11,896,160
Working Capital	**21,003,954**	20,679,186
Current Ratio	**2.3 to 1**	2.7 to 1
Total Assets	**49,501,535**	45,170,381
Shareholders' Equity	**22,645,998**	21,932,994
Common Stock Outstanding	**1,338,125**	1,338,125
Stores and Licensed Department Locations	**143**	145
Per Share:		
Net Income	**$.61**	$.08
Book Value	**$16.92**	$16.39

*Fiscal year ended January 29, 1972

**Fiscal year ended January 30, 1971

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Store and Leased Department Locations . . . . Inside Back Cover

JARED L. ROSENTHAL
President

To Our Shareholders:

1971 was a year of transition and progress for our Company. Most importantly, it was a year in which we set the stage for the greatest expansion in our history.

As indicated in my February 14, 1972 letter to Shareholders, Mangel Stores Corporation is planning to open 19 new stores in 1972. The addition of these new units is expected to add, on an annual basis, over $40,000,000 to our total corporate sales. We fully expect that this almost 30% increase in our total volume will have a positive effect on future earnings. I refer you to page 6 of this report, which explains the exciting details of our expansion program for 1972.

During the fiscal year ended January 29, 1972, we achieved a significant increase in earnings in the face of continuing sluggishness in the national economy. High unemployment, unabating inflationary pressures, wage and price controls, and an abnormally high personal savings rate, continued to limit consumer spending.

We responded to these circumstances by introducing new merchandising and advertising programs, and by strengthening our store supervision, security and distribution activities. A major emphasis was also placed on financial planning and expense control. During the year we also improved our organization, which we feel confident now has the ability to effectively manage the expanded Company in 1972 and beyond.

Sales and Earnings

Net sales, and rental income from licensed departments, totaled $123,019,149 in 1971, compared with $124,972,822 a year ago. Total store sales, which includes sales of licensed departments, amounted to $135,840,214 against $136,481,913 a year ago.

The reduction in net sales resulted principally from the closing of marginal stores, and the licensing during the year of certain departments previously operated by the Company. Sales in the last quarter of the year were ahead of those of the prior year.

Net income, including an extraordinary credit of $45,000, amounted to $813,367, or $.61 per share, compared with $113,697, or $.08 per share, recorded a year ago. The greatest portion of these earnings were achieved in the important fourth quarter when we experienced a better than anticipated Christmas season. Earnings also benefited from reductions in inventory shortages, interest expense and bad debt losses, and a lower Federal income tax resulting from the restoration of the investment tax credit.

Financial

Our financial condition continues strong. Net working capital at January 29, 1972, increased by $324,768 to $21,003,954, or $15.70 per share and the current ratio was 2.3 to 1. Shareholders' equity grew during the year by $713,004, to $22,645,998, equivalent to $16.92 per share, and long-term debt amounted to $10,045,466, a reduction of $1,050,171 since the previous year-end.

In February 1972, we refinanced our bank term loan, increasing it from $4,000,000 to $6,000,000. The additional $2,000,000 working capital provided by this transaction will be used for expansion and other working capital purposes. Short-term credit facilities available to our Company are adequate for our requirements.

In anticipation of our future need for improved merchandise information systems, we have installed electronic point-of-sale equipment (shown in action on pages 8 and 9) in several Shoppers Fair stores. These data terminals not only perform the functions of standard cash registers, but are also being integrated into our existing computerized systems to provide our merchandising staff with the more timely and accurate reports required to better manage our substantial investment in merchandise inventories.

Store Changes

Two new Mangel stores were opened in shopping malls in 1971, one in Atlanta, Georgia, the other in Fort Smith, Arkansas. This was our second store in each of these cities.

In addition, two completely refurbished Shoppers Fair units, one of which was enlarged, were reopened during the year.

Three Mangel stores and one Shoppers Fair unit, which were unprofitable, were closed.

Management and Personnel

Consistent with our policy of promoting from within individuals who demonstrate outstanding abilities, several key executive changes were made during the year. Among the more important of these, Thomas LoCoco and Jerome Kanter were appointed Assistant Vice Presidents, and Samuel Kornbluth, Corporate Controller, was named Assistant Treasurer.

We mark with deep regret the passing, on July 11, 1971, of our esteemed Director and Officer, Sanford S. Jaffe, who served our Company with distinction for many years.

Our personnel recruiting and training policies have been geared to provide management with talent that will be required to support our expansion in the 1970's, and offer excellent opportunities within our Company to individuals interested in retailing careers.

Looking Ahead

The progress made by our Company in 1971 was made possible by the dedicated efforts of our employees, the cooperation of our suppliers and the loyalty of our customers. We also wish to acknowledge the support and encouragement of our shareholders during the past year.

We are looking forward to the successful opening on May 4th of eight new Shoppers Fair discount stores in greater Detroit. A recovery in the overall retail environment, and an improvement in consumer confidence is widely anticipated. If they materialize, we fully expect that our 1972 expansion, the greatest in our long history, will result not only in record sales volume this year, but in significantly improved earnings as well.

Jared L. Rosenthal

May 1, 1972

Ten Year Summary

For the Year:	**1971***	1970	1969
Net Sales, and Rental Income from Licensed Departments	**$123,019,149**	$124,972,822	$129,949,954
Income before Federal Income Taxes and Extraordinary Items	**1,206,367**	165,697	3,066,960
Federal Income Taxes	**438,000**	76,000	1,223,000
Income before Extraordinary Items	**768,367**	89,697	1,843,960
Extraordinary Items	**45,000**	24,000	118,000
Net Income	**813,367**	113,697	1,961,960
Cash Dividends	**100,363**	402,426	357,973
Stock Dividends	**—**	—	—
At the End of the Year:			
Current Assets	**$ 37,533,901**	$ 32,575,346	$ 39,661,226
Current Liabilities	**16,529,947**	11,896,160	18,129,089
Net Working Capital	**21,003,954**	20,679,186	21,532,137
Current Ratio	**2.3 to 1**	2.7 to 1	2.2 to 1
Accounts Receivable—Net	**$ 10,920,004**	$ 10,750,512	$ 11,660,628
Merchandise Inventories	**22,359,515**	16,767,634	24,912,891
Fixed Assets—Net	**11,575,943**	12,142,074	12,100,490
Long-Term Debt	**10,045,466**	11,095,637	11,712,675
Shareholders' Equity	**22,645,998**	21,932,994	22,319,949
Stores and Licensed Department Locations	**143**	145	147
Per Share:**			
Income before Extraordinary Items	**$ .58**	$ .06	$ 1.37
Extraordinary Items	**.03**	.02	.09
Net Income	**.61**	.08	1.46
Cash Dividends	**.075**	.30	.27
Stock Dividends	**—**	—	—
Book Value (on adjusted shares outstanding at the end of each respective year)	**$16.92**	$16.39	$16.55

*The fiscal year ended January 29, 1972, is referred to as "1971" above and elsewhere in this Annual Report.

Years prior to 1971 have been redesignated from previously published Annual Reports in order to conform with common industry-wide reporting practices. (For example, the fiscal year ended January 30, 1971, designated "1971" in last year's Annual Report, has been redesignated "1970" above, and under Financial Highlights on Page 1 of this Annual Report.)

1968	1967	1966	1965	1964	1963	1962
$122,149,813	$117,451,430	$107,572,031	$99,214,954	$92,995,050	$90,240,174	$93,907,125
2,585,948	1,345,814	1,877,559	1,507,601	(9,364)	1,691,651	1,463,767
986,000	436,000	791,000	626,000	349,000	594,000	577,030
1,599,948	909,814	1,086,559	881,601	(358,364)	1,097,651	886,737
244,000	106,000	276,000	206,000	93,290	29,584	—
1,843,948	1,015,814	1,362,559	1,087,601	(265,074)	1,127,235	886,737
334,782	321,088	308,176	75,492	217,883	871,590	870,992
1,092,511	514,605	377,927	205,716	360,607	—	—
$ 35,389,648	$ 33,937,200	$ 29,338,207	$27,816,655	$22,616,333	$22,991,649	$21,496,514
15,135,345	14,664,460	14,433,599	11,712,443	7,134,077	6,990,734	5,213,402
20,254,303	19,272,740	14,904,608	16,104,212	15,482,256	16,000,915	16,283,112
2.3 to 1	2.3 to 1	2.0 to 1	2.4 to 1	3.1 to 1	3.3 to 1	4.1 to 1
$ 8,563,634	$ 8,256,458	$ 7,485,040	$ 7,024,533	$ 5,178,013	$ 4,735,326	$ 4,212,776
22,188,538	21,805,037	18,168,763	16,384,279	13,558,696	15,858,721	13,101,138
12,831,168	13,801,638	13,137,850	11,534,258	11,740,621	12,026,100	12,323,977
13,260,339	14,755,457	10,400,584	11,140,339	12,194,140	12,967,054	13,684,635
20,586,148	19,057,289	18,341,861	17,273,688	16,260,312	16,752,597	16,495,658
150	153	156	157	164	164	167
$ 1.20	$ .69	$ .82	$ .67	($.27)	$ .83	$ .67
.19	.08	.21	.15	.07	.02	—
1.39	.77	1.03	.82	(.20)	.85	.67
.25	.24	.23	.06	.17	.66	.66
6%	4%	4%	2%	4%	—	—
$15.45	$14.33	$13.83	$13.05	$12.28	$12.65	$12.45

**Based on average number of shares outstanding adjusted retroactively for stock dividends and a 3 for 2 stock split distributed in December, 1969.

Record Expansion Planned in 1972

1972 will be the greatest single expansion year in the long history of the Company.

After several years of rebuilding, of closing unprofitable units and refurbishing older stores, Mangel Corporation is now directing its efforts towards expansion.

The Shoppers Fair discount store division will open ten new outlets this year. The penetration of the St. Louis, Missouri market was doubled with the successful opening there of two new stores on March 1st. Customers at one of these St. Louis stores are shown in the photographs on pages 8 and 9 of this report, joining in the excitement of opening day activities.

On May 4th, eight new stores in greater Detroit will make their debut, bringing to twelve the number of Shoppers Fair stores in that area.

These openings will also see a renewed emphasis upon the principles which have been consistently followed in all our Shoppers Fair stores over the years. These principles are contained in the:

SHOPPERS FAIRNESS DOCTRINE

1. Real Honest-to-Goodness Bargains Every Day of the Year
2. Widest possible selection of top name brands
3. You must be satisfied or your money back.

We believe these are our responsibilities to you, our customers.

Increased publicity will be given to this doctrine in our future advertising in order to attract value-conscious shoppers to our stores and to keep them coming back!

The concentration of our stores in the important St. Louis and Detroit markets will yield significant advantages to our Company in its merchandising, store supervision, distribution and control activities. Additionally, our expanded advertising and promotion capabilities should yield benefits in both these cities.

Nine newly designed Mangel's ladies' apparel stores, including four which have already been opened, situated in air conditioned, enclosed mall regional shopping centers, will also be introduced in 1972. Although the majority of the Mangel stores are still located in downtown locations, the thrust of the expansion toward shopping centers should bring about an overall improvement in this division's productivity in the years ahead.

As always, we cordially invite our shareholders and friends to visit our stores and share with our customers a pleasant and rewarding shopping experience.

New MANGEL'S ladies' apparel stores, located in fully acclimatized enclosed mall shopping centers, offer our valued customers quality fashions at moderate prices.

Mangels

The excitement of a SHOPPER'S FAIR store opening!

Customers are shown here making their selections from the thousands of items of name brand, quality merchandise featured throughout the store, and "checking out" at our new, computerized cash register data terminals.

LUCITE
Wall Paint
SHOPPERS FAIR
Wee Rider
BIG WHEEL

Schick

Schick

Consolidated Balance Sheets

	January 29, 1972	January 30, 1971
Assets		
Current Assets:		
Cash	$ 3,101,345	$ 3,539,419
Accounts receivable—trade, less reserves for doubtful accounts of $377,751 and $436,765	10,920,004	10,750,512
Miscellaneous receivables	633,811	1,037,510
Merchandise inventory—at the lower of cost or market, based upon the retail method of inventory valuation	22,359,515	16,767,634
Prepaid expenses	519,226	480,271
Total Current Assets	37,533,901	32,575,346
Fixed Assets—at cost—Note A:		
Land	1,325,475	1,325,475
Buildings	4,699,600	4,678,984
Furniture, fixtures, equipment and leasehold improvements	16,919,845	17,122,634
	22,944,920	23,127,093
Less: Reserves for depreciation and amortization	11,368,977	10,985,019
	11,575,943	12,142,074
Deferred Charges and Sundry Other Assets	391,691	452,961
	$49,501,535	$45,170,381

The accompanying notes are an integral part of these statements

	January 29, 1972	January 30, 1971
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term debt—Note A	**$ 1,015,562**	$ 1,127,775
Accounts payable—merchandise	**11,887,941**	8,066,841
Accrued expenses and sundry liabilities	**2,707,218**	2,586,898
Federal income taxes, including, in 1972, deferred taxes of $685,000—Note D	**919,226**	114,646
Total Current Liabilities	**16,529,947**	11,896,160
Long-Term Debt, less current portion—Note A	**10,045,466**	11,095,637
Deferred Compensation	**280,124**	245,590
Total Liabilities	**26,855,537**	23,237,387
Shareholders' Equity—Notes A and B:		
Common Stock—par value $1 per share:		
Authorized—2,000,000 shares		
Issued—1,366,052 shares	**1,366,052**	1,366,052
Less: Treasury stock—27,927 shares	**27,927**	27,927
Outstanding—1,338,125 shares	**1,338,125**	1,338,125
Capital Surplus	**5,915,171**	5,915,171
Retained Earnings	**15,392,702**	14,679,698
	22,645,998	21,932,994
	$49,501,535	$45,170,381

Consolidated Statements of Income and Retained Earnings

Mangel Stores Corporation and Subsidiaries

	Fiscal Year Ended	
	January 29, 1972	January 30, 1971
Net sales and rental income from licensed departments—Note E-a	**$123,019,149**	$124,972,822
Deduct:		
Cost of sales, including occupancy expenses	**88,912,849**	91,525,700
General, administrative and selling expenses, less service charges on customers' accounts—Note E-b	**30,903,631**	31,149,745
Depreciation and amortization (computed generally on straight line method)	**1,648,047**	1,653,107
	121,464,527	124,328,552
	1,554,622	644,270
Other deductions—net (including interest expense of $794,895 and $1,070,267)	**348,255**	478,573
Income before items shown below	**1,206,367**	165,697
Federal income taxes, including, in 1972, deferred taxes of $273,000—Note D	**438,000**	76,000
Income before extraordinary credit ($.58 and $.06 per share—Note E-c)	**768,367**	89,697
Extraordinary credit—Reduction in Federal income taxes resulting from use of net operating loss carryforwards ($.03 and $.02 per share)	**45,000**	24,000
Net income ($.61 and $.08 per share—Note E-c)	**813,367**	113,697
Retained Earnings at the beginning of the year	**14,679,698**	14,968,427
	15,493,065	15,082,124
Cash dividends ($.075 and $.30 per share)	**100,363**	402,426
Retained Earnings at the end of the year—Note A	**$15,392,702**	$ 14,679,698

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Financial Position

	Fiscal Year Ended **January 29, 1972**	 January 30, 1971
Sources of working capital:		
Income before extraordinary credit	**$ 768,367**	$ 89,697
Items not currently requiring the use of working capital:		
Depreciation and amortization	**1,648,047**	1,653,107
Other—net, principally decrease in deferred charges	**94,440**	165,388
Working capital provided from operations, exclusive of extraordinary credit	**2,510,854**	1,908,192
Extraordinary credit	**45,000**	24,000
	2,555,854	1,932,192
Application of working capital:		
Cash dividends	**100,363**	402,426
Acquisition of fixed assets—net	**1,081,916**	1,694,691
Decrease in long-term debt—net	**1,050,171**	617,038
Other—net	**(1,364)**	70,988
	2,231,086	2,785,143
Increase/(Decrease) in working capital	**$ 324,768**	($ 852,951)
Increase/(Decrease) in working capital, by component:		
Current assets:		
Cash and, in fiscal year ended January 30, 1971, short-term investments	**($ 438,074)**	$1,242,965
Accounts receivable—trade—net	**169,492**	(910,116)
Miscellaneous receivables	**(403,699)**	576,677
Merchandise inventory	**5,591,881**	(8,145,257)
Prepaid expenses	**38,955**	149,851
	4,958,555	(7,085,880)
Current liabilities:		
Current portion of long-term debt	**112,213**	420,153
Accounts payable—merchandise	**(3,821,100)**	4,447,631
Accrued expenses and sundry liabilities	**(120,320)**	420,138
Federal income taxes	**(804,580)**	945,007
	(4,633,787)	6,232,929
Increase/(Decrease) in working capital	**$ 324,768**	($ 852,951)

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note A–Long-Term Debt:	**January 29, 1972**	January 30, 1971
Notes payable — banks, with interest at ¾% above prime commercial rate (1)	**$ 4,000,000**	$ 4,000,000
5.80% Note payable — insurance company, payable in annual installments of $750,000 through January 1978	**4,500,000**	5,250,000
4% to 6% Mortgages payable in installments to 1984 (2)	**2,140,417**	2,362,770
Other	**420,611**	610,642
	11,061,028	12,223,412
Less current portion	**1,015,562**	1,127,775
	$10,045,466	$11,095,637

(1) In February 1972, the Company prepaid the notes payable—banks out of the proceeds of a new $6,000,000 loan from another bank; the $2,000,000 balance of the proceeds is to be used in connection with new store openings and for other working capital purposes. The new loan agreement provides for interest at ¾% above prime commercial rate and for repayment of principal in varying installments during the fiscal years ending 1975 through 1978. This new loan agreement and the agreement relating to the note payable to an insurance company contain various restrictions relating, among other matters, to creation of debt, the maintenance of working capital, the purchase of fixed assets, the purchase of the Company's own stock and the payment of dividends, other than stock dividends. As at January 29, 1972, under the most restrictive provisions of the agreements (after considering the provisions of the new loan agreement), no amount of retained earnings was available for payment of cash dividends and for the purchase of the Company's own stock. Subsequent to January 29, 1972, such payments are limited by formula to an amount based on earnings after that date.

(2) Land and buildings with a net book amount of approximately $3,700,000 at January 29, 1972, together with intercompany and other leases, are pledged as collateral for mortgages payable.

Note B–Shareholders' Equity:

Changes in Common Stock and Capital Surplus for the two years ended January 29, 1972 are summarized as follows:

	Common Stock	Capital Surplus
Balance as at January 31, 1970	$1,365,852	$6,002,597
Credits/(charges) arising from:		
Exercise of stock options	200	1,584
Acquisition of treasury stock		(89,010)
Balance as at January 30, 1971 and January 29, 1972	$1,366,052	$5,915,171

The Company has a 1964 stock option plan ("1964 Plan") and a 1967 stock option plan ("1967 Plan") pursuant to which options may be granted to officers and key employees at prices which are not less than fair market prices at dates of grant. The 1964 Plan is for 33,565 shares and the 1967 Plan is for 70,376 shares of Common Stock. Under the plans, options are exercisable on a cumulative basis over a five year period after which they expire.

Changes in the status of these options for the years ended January 30, 1971 and January 29, 1972 are summarized as follows:

	1964 Plan	1967 Plan
Shares under option as at January 31, 1970	17,535	59,597
Options granted		3,500
Options terminated	(3,585)	(5,673)
Options exercised		(200)
Shares under option as at January 30, 1971	13,950	57,224
Options terminated	(7,950)	(5,418)
Shares under option as at January 29, 1972	6,000	51,806
Shares available for option as at January 29, 1972	7,870	13,857
Shares exercisable as at January 29, 1972	3,600	43,428

Option prices range from $7.00 to $15.83 per share.

The Company has an agreement with an officer which provides for the allocation of 5,000 shares of Common Stock in the current year and in each of the next four years, contingent upon earnings in each of those years. The issuance of stock (or cash in lieu thereof at the option of the officer) is to be made over a ten year period subsequent to the termination of the officer's employment. The fair market value of 5,000 shares of Common Stock allocated during the year ended January 29, 1972 under such agreement has been accrued as Deferred Compensation and charged to operations.

Note C–Lease Commitments:

As at January 29, 1972, the minimum annual rentals on real property under leases, exclusive of intercompany rentals, amounted to approximately $4,317,000, including approximately $31,000 applicable to four leases with lessors in which certain officers and directors have interests. Leases executed subsequent to January 29, 1972 for certain additional store premises provide for minimum annual rentals of approximately $1,125,000. Approximate aggregate minimum annual rentals, including amounts applicable to the above-mentioned leases executed subsequent to January 29, 1972, are set forth below:

Leases terminating during period:	
From February 1, 1972 to January 31, 1981 . . .	$1,596,000
From February 1, 1981 to January 31, 1991 . . .	2,883,000
From February 1, 1991 to April 30, 2006	963,000

Certain lease agreements provide for additional rentals based upon sales or for payments of real estate taxes, insurance, etc. Minimum annual rentals as at January 29, 1972 under leases for store fixtures and equipment amounted to approximately $335,000.

Note D–Federal Income Taxes:

The Company and its subsidiaries file consolidated Federal income tax returns and accordingly have provided for Federal income taxes on that basis. The provision for Federal income tax for the year ended January 29, 1972 is net of investment tax credits of $135,000 (including $68,000 of prior year's carryforwards) utilizing the "flow through" method.

During the current fiscal year, the Company adopted the installment method of reporting gross profits on installment sales for income tax purposes for the fiscal year ended January 30, 1971 and thereafter. The adoption of such method resulted in tax refunds of $412,000 which were credited to the deferred Federal income tax liability account.

As at January 29, 1972, the Company and certain subsidiaries have aggregate available operating loss carryforwards and investment credit carryforwards of approximately $650,000 and $140,000, respectively. The realization of these carryforwards (which arose during years in which separate Federal income tax returns were filed), as a reduction of future Federal income taxes is not determinable. These carryforwards expire principally by 1974.

Note E–Other Comments:

(a) Net sales do not include sales made by licensed departments in the aggregate amounts of $14,360,928 (1972) and $12,925,927 (1971). During the year ended January 29, 1972, the Company licensed certain departments which it had previously operated.

(b) General, administrative and selling expenses are net of service charges on customers' accounts of $1,713,199 (1972) and $1,959,449 (1971). The cost of administering the retail credit program exceeds service charges on customers' accounts.

(c) Per share data are based on the average number of shares outstanding during each year. Exercise of stock options would have no material dilutive effect on such per share data.

(d) The consolidated financial statements include the accounts of the Company and all subsidiaries after elimination of intercompany items and transactions.

Accountants' Report

To the Board of Directors
Mangel Stores Corporation
New York, N.Y.

We have examined the consolidated balance sheets of Mangel Stores Corporation and subsidiaries as at January 29, 1972 and January 30, 1971, and the related consolidated statements of income and retained earnings and changes in financial position for the years (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the consolidated financial position of Mangel Stores Corporation and subsidiaries at January 29, 1972 and January 30, 1971, and the consolidated results of their operations and changes in financial position for the years (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

S. D. Leidesdorf & Co.

New York, N.Y.
April 14, 1972

Sol Mangel
Honorary Chairman of the Board of Directors

Executive Offices and Distribution Center
115 West 18 Street
New York, N.Y. 10011
(212) 924-9200

Counsel
Cole & Deitz, New York, N.Y.

Auditors
S. D. Leidesdorf & Co., New York, N.Y.

Transfer Agent
Morgan Guaranty Trust Company of New York,
30 West Broadway, New York, N.Y. 10015

Registrar
Manufacturers Hanover Trust Company,
4 New York Plaza, New York, N.Y. 10015

Annual Meeting
The Annual Meeting of Mangel Stores Corporation will be held on Wednesday, June 7, 1972, at 10:00 A.M. at the Plaza Hotel, Fifth Avenue at Fifty-Ninth Street, New York, N.Y.

Stock Listing
American Stock Exchange
Symbol: MGE

Directors

Jared L. Rosenthal
President

Ronald Curwin
Vice President & Treasurer

Israel A. Diamond
Vice President

Herbert J. Deitz
Partner, Cole & Deitz

George M. Jaffin
Counsel
Jaffin, Schneider, Conrad & Rubin

Maurice N. Jaffe
Vice President

Emanuel Mangel
Secretary & Assistant Treasurer

Henry Hart Rice
Sr. Vice President,
James Felt & Company, Inc.

Frederick H. Schroeder
Executive Vice President—
Walston & Company, Inc.

Officers

President

Jared L. Rosenthal

Vice Presidents

Ronald Curwin
Finance, Treasurer

David M. Diamond
Assistant Secretary

Israel Diamond

Maurice N. Jaffe
Director of Domestics Division

Harry Maer
Director of Store Operations

Maurice Mantel
Assistant Secretary, Director of Construction and Real Estate

George Powell
General Merchandise Manager—Men's, Children's and Toys

B. Robert Rosthal
Assistant Secretary

Lawrence L. Schaen
General Merchandise Manager—Soft Lines

Secretary

Emanuel Mangel
Assistant Treasurer

Assistant Treasurer

Samuel Kornbluth
Corporate Controller

Assistant Vice Presidents

Jerome Kanter
Merchandise Manager—Domestics Division

Jerry Lapenson
Director of Personnel and Labor Relations

Thomas LoCoco
Operations Manager—Mangel Division

Kalman E. Wolfson
District Manager—Shoppers Fair Division

Mangels SHOPPERS fair

153 Store and Leased Department Locations*

Alabama
Anniston
Birmingham
Decatur
Dothan
Florence
Huntsville (2)
Mobile (2)
Montgomery
Prichard
Selma (2)
Tuscaloosa

Arkansas
Fayetteville
Fort Smith (2)
Hot Springs
Jonesboro
Little Rock
Pine Bluff (2)

Connecticut
Bridgeport
South Norwalk

Delaware
Wilmington

Florida
Jacksonville
Key West
Miami (2)
Orlando
Panama City
Pensacola (3)
Tallahassee
Tampa

Georgia
Atlanta (2)
Augusta
Columbus
Macon
Savannah
Thomasville
Valdosta

Illinois
Danville
Kankakee
Quincy

Indiana
Columbus
Evansville
Gary
Indianapolis (2)
Lafayette
Marion
Michigan City
Muncie
South Bend

Iowa
Clinton
Des Moines

Kentucky
Paducah
Shively

Louisiana
Baton Rouge (3)
Crowley
Lafayette
Lake Charles
New Iberia
New Orleans
Opelousas

Maryland
Randallstown
Salisbury

Michigan
Adrian
Battle Creek
Benton Harbor
Detroit (12)
Holland
Jackson
Lansing
Saginaw

Minnesota
St. Paul

Mississippi
Greenville
Jackson
Meridian
Natchez
Tupelo

Missouri
St. Louis (5)
Springfield

New Jersey
Pennsauken
New Shrewsbury

New Mexico
Santa Fe

New York
Brooklyn
Kingston
Middletown
Newburgh (2)
Peekskill
Syracuse (2)

North Carolina
Asheville
Elizabeth City
Greensboro
Raleigh

Ohio
Canton (2)
Dayton (2)
Lancaster
Zanesville

Oklahoma
Tulsa

Pennsylvania
Clifton Heights
Horsham
Montgomeryville

South Carolina
Aiken
Anderson
Charleston
Columbia
Spartanburg

Tennessee
Chattanooga
Jackson
Johnson City
Memphis

Texas
Baytown
Borger
Corpus Christi
Dallas
Fort Worth
Galveston
Harlingen
Houston (2)
McAllen
Midland
San Antonio
Sherman

Virginia
Lynchburg

West Virginia
Charleston
Huntington

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*As of May, 1972.

MANGEL STORES CORPORATION